

INTERNAL REVENUE SERVICE

Number: **2001-0015**

Release Date: 3/30/2001

COR-127422-00

November 30, 2000

UILC 162.03-01

The Honorable Russell D. Feingold  
United States Senate  
Washington, D.C. 20510

Attention: Scott Stearns

Dear Senator Feingold:

This letter is in response to your inquiry dated November 13, 2000, concerning the business standard mileage rate. Your constituent wants us to change the rate quarterly.

I am pleased to tell you the business standard mileage rate will rise to 34.5 cents per mile on January 1, 2001. The primary reason for the increase is the jump in gasoline prices. The following information may be helpful to your constituent:

The business standard mileage rate is a national average amount determined by an annual study performed by an independent contractor who is an expert in the cost analysis of business use of automobiles. The contractor uses recent data from each state on the component costs (such as maintenance, repairs, gasoline, and oil) of operating the most popular automobiles. The contractor then combines this data to achieve a national composite cents-per-mile rate. It is not feasible to change the rate more often than annually.

Gasoline prices rise and fall during the year, but taxpayers may continue to use the same rate without having to keep records of actual expenses. Although rising gasoline prices can be a disadvantage for taxpayers who use the rate, falling prices can work to their advantage. For example, although gasoline prices fell in 1998, for all of 1998 and through March 31, 1999, taxpayers were able to use the rate that reflected the earlier higher prices.

I hope this information is helpful. Please call John T. Sapienza, Jr., Identification Number 50-6383, at (202) 622-4920, if you have any questions.

Sincerely,

Associate Chief Counsel  
(Income Tax & Accounting)

By: \_\_\_\_\_

Robert A. Berkovsky  
Chief, Branch 2